

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**ACCOUNTING FOR TELECOMMUNICATION
COSTS, VERIFYING TELEPHONE SERVICE
CHARGES, AND PREVENTING PERSONAL
TELEPHONE CALLS**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-479.2

ACCOUNTING FOR TELECOMMUNICATION COSTS,
VERIFYING TELEPHONE SERVICE CHARGES,
AND PREVENTING PERSONAL TELEPHONE CALLS

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P-479.2

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning how state agencies account for telecommunication costs and the procedures they use to verify telephone invoices and control telephone misuse.

Respectfully submitted,

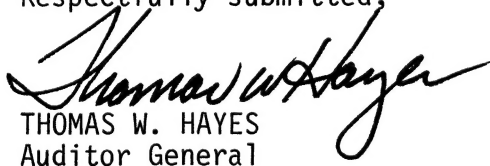

THOMAS W. HAYES
Auditor General

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SUMMARY

The amount that a state agency spends on its telecommunication systems may be millions of dollars greater than the amount it reports as Communications expenditures on state financial reports. This difference occurs because the State's accounting system permits state agencies to report many expenditures related to telecommunications under other expenditure classifications. In addition, state agencies are not consistently verifying the accuracy of the monthly service charge on their telephone bills, and some supervisors are not checking telephone bills for personal calls made by state employees. Consequently, state agencies may be paying for services they have not received, and employees are not deterred from making personal calls during working hours. Finally, in fiscal year 1983-84, state agencies paid an estimated \$260,000 for long distance calls that employees dialed incorrectly.

Accounting for Telecommunication Costs

Because of the design of the State's accounting system, state financial reports, such as the Governor's Budget, show only part of a state agency's telecommunication costs under the Communications expenditure classification. Costs associated with an agency's telecommunication activities may also be reported under other expenditure classifications, such as Salaries and Wages, Data Processing, and Equipment. As a result, there can be a significant difference between what an agency reports under the Communications line item and what its total expenditures are for acquiring, modifying, operating, maintaining, and managing its telecommunications systems. For example, the California Highway Patrol reported \$10 million in expenditures under the Communications line item for fiscal year 1983-84. However, we estimate that its total expenditures related to telecommunications were \$22.4 million for that same year.

We did not evaluate the need to change the State's accounting system to allow financial reports to identify telecommunication costs separately. The Office of Information Technology, within the Department of Finance, is currently reviewing the feasibility of expanding the Communications line item in the State's accounting system to include other expenditures for telecommunication activities.

Weaknesses in Verifying
Telephone Charges and
Preventing Personal Calls

Some state agencies are neither checking the accuracy of all elements of their telephone bills nor following state procedures designed to deter employees from misusing the State's telephone system. Two of the four agencies we reviewed are not consistently verifying that they actually received all of the services and features that telephone companies had billed them for in the monthly telephone bill. Consequently, these state agencies may have paid for inappropriate charges.

In addition, supervisors at three of the four agencies we reviewed are not sufficiently reviewing listings of long distance telephone calls to detect personal calls that employees have made. Moreover, the agencies are not consistently using other information provided by the Office of Telecommunications to help detect personal telephone calls and incorrect dialing practices. As a result, the agencies may not be discouraging employees from making personal telephone calls, and the State pays for the time that employees spend making these calls during working hours.

Finally, state employees are not always following the dialing instructions for making long distance calls on state telephones, leading to inefficient routing of long distance calls and an increase in costs to state agencies. In fiscal year 1983-84, misdialed calls cost state agencies an estimated \$260,000. Although it may not be

possible for state agencies to save this entire amount, we found that a high percentage of the additional costs resulting from misdialed calls were accounted for by one or two subunits within each agency.

The weaknesses we found in state agencies' review of telephone charges and identification of personal calls resulted partly because agency staff were unfamiliar with procedures for reviewing telephone invoices and controlling telephone misuse. The Office of Telecommunications has not held a training program covering these problem areas since 1982.

INTRODUCTION

The State of California uses a variety of telecommunication systems in carrying out state business. "Telecommunication" is the electronic transmission of voice, video images, and data from one location to another. The primary telecommunication system in state government is the telephone system. Other telecommunication systems that the State uses include radio and microwave systems and data transmission systems. During fiscal year 1983-84, state agencies reported to the Office of Information Technology that their estimated telecommunication costs for that year would total \$159 million.

The Government Code assigns to the Department of Finance's Office of Information Technology the responsibility for developing plans and policies that support and promote telecommunications in the State. Additionally, the California Government Code authorizes the Department of General Services, through the Office of Telecommunications (office), to provide state agencies with such telecommunication services as telephone services, radio maintenance and engineering services, and microwave services. The office also establishes requirements in the State Administrative Manual that state agencies are to follow in managing their telephone systems.

The primary telephone service that the office provides is called the Automatic Telecommunication Switching System (ATSS), a telephone network that the office leases from telephone companies for

the exclusive use of state and local governments. The ATSS permits users to make long distance telephone calls at a cost that is lower than the cost of long distance calls made through the regular telephone service available to the general public. The office is also responsible for approving requests for specific types of telephone equipment and services that state agencies want to order from telephone companies. In addition, the office provides engineering and technical services to assist state agencies in designing their telephone systems, and it provides engineering and maintenance services for state agencies' radio and microwave systems. The office recovers the costs of providing these services by billing state agencies that use its services. To bill the state agencies for use of the ATSS, the office prepares monthly invoices that list long distance calls by the number of the state telephone from which the calls were made. The invoice also shows the telephone number called and the length of each call.

Telephone companies provide a variety of telephone services and equipment to state agencies. They bill individual state agencies for such items as monthly service fees, installation of services and equipment, message unit calls, long distance calls, and lease of telephone equipment.

The State Administrative Manual requires state agencies to account for and report financial transactions in accordance with the State's Uniform Codes Manual. The Uniform Codes Manual, developed and maintained by the Department of Finance, prescribes standard categories

for state agencies to use in classifying revenues and expenditures. The expenditure categories include Personal Services, Operating Expenses and Equipment, and Capital Outlay. These categories are further broken down into subcategories called "line items." Communications is an expenditure line item under Operating Expenses and Equipment.

SCOPE AND METHODOLOGY

This audit had two major objectives. The first objective was to compare what a state agency reports under the Communications line item in state financial reports with the agency's total cost to acquire, modify, operate, maintain, and manage its telecommunication systems.

To determine what a state agency should report under the Communications line item, we reviewed the State's Uniform Codes Manual and interviewed staff from the Department of Finance. We also interviewed officials from various state agencies to determine which types of costs we should attribute to telecommunications. Among the costs included were the salaries and benefits of personnel whose activities are directly related to telecommunications. During our review, we identified some individuals who spent only part of their time on telecommunication activities. Because agencies did not keep records upon which to base estimates of the time that a person spent on

telecommunication activities, we based our estimates only on those staff who spent almost all of their time on telecommunication activities.

In determining the cost of transmitting data, we included only the expenditures for equipment and services that an agency used to transmit data from one location to another. We did not include the cost of any equipment that performed both a telecommunication function and a data processing function because we found a difference of opinion among state agency personnel as to which equipment should be included as part of an agency's cost of transmitting data. Further, the State Administrative Manual requires state agencies, when reporting proposed data transmission costs, to include only the costs of the equipment and services used to transmit data from one location to another.

We collected expenditure information at the Sacramento offices of four state agencies: the California Highway Patrol, the Department of Forestry, the Department of Justice, and the Department of Transportation. At each agency, we examined accounting records and other documents related to telecommunications, and we interviewed agency personnel to identify the costs that the agencies reported under the Communications line item as well as the agencies' total telecommunication costs for fiscal year 1983-84. We also determined what other expenditure line items each of the four agencies used to report costs related to telecommunications. In preparing this report, we excluded certain costs such as expenditures for utilities, office

supplies, and travel. Consequently, this report does not include all telecommunication costs incurred by each agency we reviewed.

Our second major objective was to examine how state agencies review invoices for telephone services and how effectively they deter employees from making personal calls. To accomplish this objective, we conducted reviews at the four agencies mentioned above. We examined the agencies' compliance with the State Administrative Manual's requirements for reviewing telephone invoices and controlling telephone misuse. We interviewed agency staff and examined each agency's procedures and records related to telephones. We also interviewed staff from the Department of General Services and the Department of Finance. We did not test the accuracy of the billing rates that telephone companies charged state agencies.

AUDIT RESULTS

I

ACCOUNTING FOR TELECOMMUNICATION COSTS

For the four state agencies we reviewed, the amount that each state agency reported under the Communications line item in the Governor's Budget for fiscal year 1983-84 was much less than that agency's total cost to acquire, modify, operate, maintain, and manage its telecommunication systems. Because of the design of the State's accounting system, state agencies report some of their telecommunication costs under the Communications line item and other telecommunication costs under other line items. Although we did not assess the need to change the State's accounting system, a unit within the Department of Finance is reviewing this matter.

At all four of the agencies we visited, the total cost for telecommunications exceeded the amounts reported under the Communications line item. The difference ranged from 19 percent at the Department of Forestry to 55 percent at the California Highway Patrol. Table 1 compares the costs that state agencies reported under the Communications line item with the agencies' total telecommunication costs that we identified for fiscal year 1983-84.

TABLE 1
COMMUNICATIONS EXPENDITURES
COMPARED TO TOTAL TELECOMMUNICATION COSTS
FOUR SAMPLE AGENCIES
FISCAL YEAR 1983-84
(Dollars in Thousands)

<u>Agency</u>	<u>Communications Expenditures</u>	<u>Total Telecommunication Costs</u>	<u>Difference</u>	<u>Percent</u>
California Highway Patrol	\$10,034	\$22,457	\$12,423	55
Department of Forestry	\$ 4,191	\$ 5,156	\$ 965	19
Department of Justice	\$ 3,086	\$ 4,133	\$ 1,047	25
Department of Transportation	\$ 5,492	\$11,016	\$ 5,524	50

The differences exist because, as directed by the State's Uniform Codes Manual, state agencies report certain expenditures pertaining to telecommunications under line items such as Salaries and Wages, Data Processing, and Equipment. For example, the Uniform Codes Manual directs state agencies to classify expenditures for equipment purchases under the Equipment line item even if the equipment is part of an agency's telecommunication systems. Table 2 shows the expenditure line items that include costs related to telecommunications.

TABLE 2
EXPENDITURE CATEGORIES
CONTAINING TELECOMMUNICATION COSTS
FOUR SAMPLE AGENCIES
FISCAL YEAR 1983-84
(Dollars in Thousands)

<u>Category of Expenditure</u>	<u>California Highway Patrol</u>	<u>Department of Forestry</u>	<u>Department of Justice</u>	<u>Department of Transportation</u>
Personal Services				
Salaries and Wages	\$ 7,782	\$ 36	\$ 130	\$ 789
Benefits	2,549	13	39	344
Operating Expense and Equipment				
Communications	10,034	4,191	3,086	5,492
Facilities Operation	279	--	--	--
Consultant and Professional Services	--	--	--	3,327
Consolidated Data Centers	--	47	--	579
Data Processing	--	--	782	186
Equipment	1,754	869	96	299
Other Items of Expense	59	--	--	--
Total	<u>\$22,457</u>	<u>\$5,156</u>	<u>\$4,133</u>	<u>\$11,016</u>

Included in the Personal Services expenditure category are the salaries and benefits of staff who work on activities such as developing an agency's radio system. Telecommunication expenditures included within the Operating Expense and Equipment expenditure category were classified under various expenditure line items. For example, the Department of Forestry paid approximately \$1,331,000 to telephone companies and the Office of Telecommunications for telephone services; it also paid approximately \$2,797,000, primarily to the Office of Telecommunications, for installing, modifying, maintaining, and repairing radio equipment. The Department of Forestry included these expenditures under the Communications line item. The California

Highway Patrol included the cost of renting and maintaining a radio facility under the Facilities Operations line item. The Department of Transportation, on the other hand, used the Consultant and Professional Services line item to report approximately \$3,327,000 that it paid to the Office of Telecommunications for maintaining and repairing radio and microwave equipment.

Under the Consolidated Data Centers line item, the Department of Transportation reported approximately \$579,000 in payments to the State's Teale Data Center for data transmission services. In addition, the Department of Justice and the Department of Transportation reported expenditures for data transmission services under the Data Processing line item. Finally, both the Equipment line item and the Other Items of Expense line item also included expenditures that were directly related to telecommunications. Under the Equipment line item, for example, the California Highway Patrol included \$1.7 million for the purchase of radio equipment; under the Other Items of Expense line item, the California Highway Patrol reported approximately \$59,000 for maintaining aircraft radios.

Obviously, state agencies do not always classify similar expenditures under the same category. Staff at the Department of Finance stated that the Uniform Codes Manual provides only general guidelines for state agencies to use in classifying expenditures into line items. State agencies thus have some discretion in deciding which line item to use to classify a particular type of expenditure.

Currently, the Department of Finance's Office of Information Technology is considering the feasibility of proposing revisions to the Uniform Codes Manual to direct state agencies to include under the Communications line item more of their expenditures related to telecommunications, such as those for transmitting data and for purchasing equipment.

CONCLUSION

Because of the design of the State's accounting system, state agencies report only part of their telecommunication costs under the Communications line item. State agencies report other telecommunication costs, such as those for personnel and equipment, under other expenditure line items. For the four agencies we reviewed, there was a significant difference between the amount that an agency reported under the Communications line item in the Governor's Budget and the total cost of that agency's telecommunication systems. We did not attempt to determine whether it is expedient for the State to have financial reports that separately identify all telecommunication costs. The Department of Finance's Office of Information Technology is, however, currently considering whether the Uniform Codes Manual should be revised to consolidate more telecommunication costs under the Communications line item.

II

WEAKNESSES IN VERIFYING TELEPHONE CHARGES AND PREVENTING PERSONAL TELEPHONE CALLS

Two of the four state agencies we reviewed are not adequately verifying that they have received all of the services for which they have been billed by telephone companies. In addition, three agencies are not always distributing Automatic Telecommunication Switching System (ATSS) invoices to supervisors so that they can detect personal calls, and two agencies are not taking corrective action on calls that employees dialed incorrectly. Finally, one agency is not always following up on instances of potential telephone misuse that are identified by the Office of Telecommunications.

Because of these conditions, state agencies may be failing to detect overcharges by telephone companies, failing to collect reimbursements due from employees who have made personal calls, and failing to deter employees from conducting personal business during working hours. Furthermore, in fiscal year 1983-84, state agencies paid an estimated \$260,000 in excess costs for long distance calls that employees dialed incorrectly. These conditions resulted partly because some agency staff were unfamiliar with the procedures for reviewing telephone invoices and for controlling misuse of state telephones. The Office of Telecommunications has not held a training program covering these problems since 1982.

Inadequate Verification of Telephone Service Charges

The State Administrative Manual requires state agencies to review bills from telephone companies to ensure that the agencies actually receive the services for which they are charged. Telephone companies bill state agencies for those services provided during a specific period. Among the subtotals included in Pacific Bell's monthly telephone bill is the monthly service charge. Although the monthly service charge appears on the bill as a single item, it comprises a number of charges for specific services and features, such as access to the local telephone system, "call hold," and "call forward." The monthly bill does not itemize specific services and features except for those that the agency has asked Pacific Bell to add to or remove from the agency's telephone system during the period covered by the bill. The monthly service charge can be significant. For example, the monthly service charge for one of the local offices within the Department of Justice was \$2,058 for the period from September 23 through October 22, 1984.

Staff at each of the four state agencies we reviewed check the accuracy of each monthly service charge by comparing the service charge for the current month to the service charge for the previous month. Staff then verify that any changes in the monthly service charge are fully attributable to services and features added or removed during the current billing period. Although this procedure provides some assurance that a portion of the monthly service charge is accurate,

state agencies cannot be certain that they are receiving all of the services and features that the telephone company has included in the monthly service charge. Officials from both the Office of Telecommunications and the Public Utilities Commission stated that it is very important for a state agency to verify periodically that it is receiving all of the services and features included in the monthly service charge. These officials indicated that such periodic verification has great potential for detecting improper charges by telephone companies.

One method that a state agency can use to verify that it is receiving all of the services and features included in the monthly service charge is to review the detailed service record that the telephone company will provide. A detailed service record lists each service and feature that makes up the monthly service charge. The Department of Forestry's Sacramento office requests a detailed service record at least once a year. Staff compare the services billed to the services actually available at a given location and then request a billing adjustment for any billed services that were not received. Officials from the Department of Forestry stated that, by reviewing the detailed service record, staff have identified inappropriate charges billed by the telephone companies. The Department of Forestry did not, however, keep detailed records of the total amount of inappropriate charges that staff identified.

The California Highway Patrol uses a different method to periodically verify that it has received all of the services and features included under the monthly service charge. Staff from the California Highway Patrol's Telecommunications Section visit each local office on an average of once every three years and compare the telephone services and features that are currently available at the local office with those listed in the Telecommunications Section's telephone records. These records show what services and features should be available at local offices. The staff then calculate what the monthly service charge should be by applying the telephone tariff rates.* If the staff discover a discrepancy between the amount they calculate and the monthly service charge that the telephone company billed, the staff request detailed service records from the telephone company to identify any inappropriate charges.

The other two state agencies we reviewed do not periodically verify that their monthly service charges are accurate. Most units within the Department of Justice do not periodically verify the accuracy of the monthly service charge, and although the Department of Transportation periodically verifies the monthly service charge at its headquarters offices, not all of the district offices do so. We contacted 3 of the 11 district offices and found that none of the 3 was periodically verifying the monthly service charge.

*Telephone tariff rates are the rates for telephone services that the Public Utilities Commission approves and that telephone companies must adhere to in billing users.

The Deputy Director of the Administrative Services Division at the Department of Justice stated that she is not certain why her department has not verified the accuracy of the monthly service charges. As a result of our audit, she stated that she will direct her staff to begin immediately developing verification procedures for the department to implement. The Chief of Telecommunications at the Department of Transportation stated that only the headquarters office has trained staff available to periodically verify the monthly service charge. Staff at the local offices would need to be trained to do this verification.

No Supervisory Review To Identify
Employees' Personal Calls

The State Administrative Manual (SAM) requires each state agency to develop or adopt policies to control the use of state telephones for personal use. The SAM prohibits state employees from making personal long distance calls on the Automatic Telecommunication Switching System (ATSS), and it prohibits state employees from using state telephones to make any other personal long distance calls without first arranging with the operator at the time the call is placed to pay for the cost of that call. To detect personal telephone calls, the SAM requires supervisors to review the telephone calls listed on ATSS invoices and on bills from telephone companies. The SAM states that employees who violate state policies "are subject to disciplinary action."

Although supervisors at all four state agencies we audited were reviewing telephone company invoices for personal calls made by employees, supervisors at the California Highway Patrol, the Department of Justice, and the Department of Transportation were not always reviewing ATSS invoices for personal long distance calls. Both the California Highway Patrol and the Department of Justice receive all of their ATSS invoices at their administrative offices in Sacramento. However, staff at these offices review and approve the invoices for payment without sending them to supervisors for review. Supervisors at the Department of Transportation's headquarters review ATSS invoices for personal calls, but some supervisors at the district offices do not. We contacted 3 of the department's 11 district offices and found that ATSS invoices were not being distributed to supervisors at all 3 of the district offices.

When supervisors do not review ATSS invoices, state agencies may not be able to detect personal telephone calls that employees make. Therefore, state agencies must pay the additional charges for any personal calls, and they are unable to collect reimbursements from those employees who have made personal calls. Moreover, state agencies must also pay for the time that employees spend making personal calls while at work. Officials at both the Department of Forestry and the Department of Transportation stated that they have identified personal telephone calls by reviewing ATSS invoices and that they have collected reimbursements from employees. These officials also noted that having a procedure by which supervisors review ATSS invoices helps deter employees from making personal calls.

The Deputy Director of the Administrative Services Division at the Department of Justice stated that, as a result of the information provided by the Auditor General's staff, she will implement procedures to have ATSS invoices sent to supervisors for their review. The Manager of Telephone Systems at the California Highway Patrol said that the Office of Telecommunications sends the headquarters office only one copy of the ATSS invoice, and she questions the value of having her staff make extra copies to distribute to the local offices. She also said that taking staff away from more critical work would not be warranted. However, the Chief of the Office of Telecommunications indicated that the Office of Telecommunications would most likely be able to send an additional copy of the ATSS invoice to those agencies needing one.

No Corrective Action
On Misdialed Calls

For some long distance calls, it is less expensive for a state employee to place the call using the public telephone service rather than the ATSS. To place calls in the least costly manner, state employees must follow the dialing instructions presented in the front of the State's telephone directory or the dialing guidelines provided by the Office of Telecommunications.

ATSS invoices identify with an asterisk (*) any calls for which the ATSS cost exceeds what would have been the cost of the call if it had been placed on the public telephone service. An official at

the Office of Telecommunications said that state agencies should review the ATSS invoices, look for telephone numbers that have many calls marked with an asterisk, and discuss the matter with the employees who make calls from that telephone number. If in following up on these more expensive calls, the agency determines that its employees dialed correctly, the agency should notify the Office of Telecommunications. It is possible that the telephone company's equipment malfunctioned and incorrectly routed the call onto the ATSS.

We found, however, that the Department of Justice and the Department of Transportation were not taking corrective action on calls marked by an asterisk. At the Department of Justice, for example, the accounting office receives and files ATSS invoices, but the accounting office does not notify employees who may be dialing incorrectly. Staff at both the Department of Justice and the Department of Transportation said that they had not known why certain calls on the ATSS invoice were marked with an asterisk. Consequently, neither agency took action to contact employees who may not have been dialing correctly.

Although the amount that can be saved for each inappropriately placed telephone call is usually minimal, the potential total savings to the agency and the State is significant. In fiscal year 1983-84, according to records of the Office of Telecommunications, the inappropriately placed, more expensive calls cost the Department of Justice an additional \$5,200 and the Department of Transportation an additional \$9,000. The total extra cost to all state agencies for these calls was an estimated \$260,000 in fiscal year 1983-84.

In our opinion, it would not be practical to expect state agencies to eliminate incorrect dialing entirely. However, agencies should still review ATSS invoices to identify phones having recurring problems because those phones account for the larger portion of the increased costs. While reviewing the ATSS invoices at the four agencies, we noted that a high percentage of an agency's additional cost for improper dialing came from one or two sections within each agency. For example, the additional cost incurred by one of the Department of Transportation's 11 district offices was \$5,600, 62 percent of the department's total additional cost of \$9,000. At the Department of Justice, 2 of the department's 63 organizational units accounted for 67 percent of the total additional cost. An agency can, therefore, significantly reduce the total additional cost by concentrating its review efforts on those sections that account for the largest portion of the additional cost resulting from incorrect dialing.

Lack of Follow-Up on Inappropriate Calls

The Department of Justice has not consistently taken action on the memos provided by the Office of Telecommunications (office). The office operates a computerized system to assist state agencies in identifying personal calls made on state telephones. The system identifies long distance calls made on the ATSS that exceed specific time and frequency parameters set by the office. The office sends to the appropriate agency one or more memos listing the state telephone

numbers from which calls were made that exceed the parameters. The agency is then required to determine whether the calls listed on the memo were for business or personal use and to report to the office on the corrective action that the agency has taken.

The Department of Justice investigated and returned to the office only one of the 17 memos sent to it during fiscal year 1983-84. Officials from the Department of Justice stated that the department did not act on the memos because of staffing changes. A newly hired person, whose responsibility included distributing the memo to the appropriate units within the department, was not aware of the follow-up procedures.

By not following up on the office's memos, state agencies may overlook inappropriate personal telephone calls that employees have made. During fiscal year 1983-84, the office sent 57 memos to the four agencies we audited. The agencies were able to determine whether calls were business-related or personal on 32 of the memos. The four agencies reviewed these 32 memos and identified personal calls on 10 (31 percent). The California Highway Patrol and the Department of Transportation have collected reimbursements from employees who have made personal calls that the agencies identified on the office's memos.

Lack of Training of Agency Staff

The conditions we found involving weaknesses in state agencies' review of telephone charges and identification of personal calls resulted in part because agency staff were unfamiliar with the procedures for reviewing telephone invoices and controlling telephone misuse. The Office of Telecommunications has not provided training to agency staff on subjects such as the ATSS network and the prevention of personal telephone calls since March 1982. The Chief of the Office of Telecommunications stated that his office is willing to provide training to agency staff to help them correct the problems we identified in this report.

CONCLUSION

State agencies are not always reviewing telephone bills and deterring employees from making personal calls. Two of the four state agencies we reviewed are not adequately verifying that telephone companies actually provide all of the telephone services and features for which they bill state agencies. Also, supervisors at three of the state agencies are not always reviewing ATSS invoices to detect personal calls made by employees, and two agencies are not taking corrective action on calls that employees dial incorrectly. Finally, one agency is not always following up on information provided by the Office of Telecommunications on potential telephone misuse.

As a result of these weaknesses, state agencies may be paying for telephone services they did not receive, failing to collect reimbursements from employees for personal calls, and allowing employees to conduct personal business during working hours. These weaknesses have resulted, in part, because agency staff have not been adequately trained in the procedures to be used in verifying telephone invoices and controlling telephone misuse.

RECOMMENDATIONS

To improve state agencies' control over inappropriate telephone charges and employees' misuse of telephones, the Office of Telecommunications should provide agency staff with training classes that address the following areas:

- Procedures for verifying the accuracy of invoices received from telephone companies; this training should focus particularly on the monthly service charge.
- Procedures for detecting and preventing employees' misuse of state telephones.
- Ways to use the information provided by the Office of Telecommunications to help control telephone costs and telephone misuse.

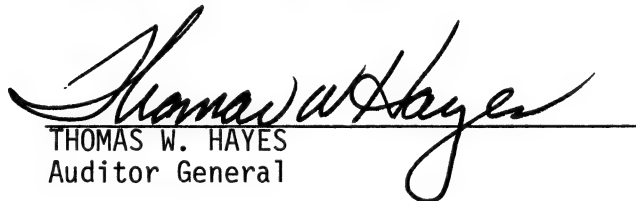
In addition, each of the state agencies we reviewed should comply with current state requirements to improve control over inappropriate telephone costs and employees' misuse of telephones. We specifically recommend the following actions:

- The Department of Justice and all of the Department of Transportation's district offices should periodically verify that they are receiving all of the services and features included under the monthly service charge. One method that these departments could use is periodically requesting from telephone companies the detailed service records to support the monthly service charges. Staff should then review the detailed service records to determine whether the services being paid for are actually being received.
- The California Highway Patrol, the Department of Justice and the Department of Transportation should require that supervisors review ATSS invoices to detect possible misuse of telephones. The California Highway Patrol should arrange with the Office of Telecommunications to receive an extra copy of the ATSS invoice, if it is needed.
- The Department of Justice and the Department of Transportation's district offices should review ATSS

invoices and take corrective action on calls identified as being incorrectly dialed from telephones having recurring problems. If in following up on these calls, the departments determine that employees did, in fact, dial correctly, the departments should notify the Office of Telecommunications. Also, the Department of Justice should determine whether the calls identified on the Office of Telecommunications' memos are for business or personal purposes and then collect the cost of any personal calls from the employees who made them.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: December 3, 1984

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BUSINESS, TRANSPORTATION AND HOUSING AGENCY

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Housing and Community
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Motor Vehicles
Real Estate
Savings and Loan
Transportation
Teale Data Center
Office of Traffic Safety

November 29, 1984

Mr. Thomas W. Hayes
Auditor General
660 'J' Street, Suite 300
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Dear Mr. *THW* Hayes:

We have reviewed the draft of your audit report, "Accounting for Telecommunication Costs, Verifying Telephone Services Charges, and Preventing Personal Telephone Calls." In regards to the comments concerning Caltrans and the California Highway Patrol (CHP), I would like to transmit to you the following observations and suggestions.

Caltrans:

Caltrans responds that they are in compliance with the Uniform Coding Manual requirements as to recordation and reporting of various telecommunication expenditures. If these requirements are changed, Caltrans is committed to making the necessary changes within their system to capture and report communication expense.

Caltrans has a published policy requiring annual surveys of of installed telephone equipment and service features. By December 31, 1984 the department will issue a formal directive to each of its district offices to comply with this policy. Caltrans has also suggested that the Department of General Services, Office of Telecommunications, conduct training in "How to Review and Analyze Detailed Service Records Received From the Telephone Company."

Caltrans also has a published policy regarding personal use of telephones. This policy makes the first line supervisor responsible for enforcement and instruction of personnel in use of state telephones. This policy will be reemphasized in the December 31 directive concerning this subject. Special emphasis will be placed on reviewing ATSS invoices as suggested by the report.

California Highway Patrol

The CHP agrees that supervisors' review of monthly ATSS charges would be beneficial to heighten overall awareness of telephone costs. Currently monthly bills are reviewed by the department's telecommunications section. The overall amount of the bill is compared to the average and unusual call patterns are identified. The Patrol feels that this centralized review is more effective to controlling costs than having each bill reviewed by each of its field offices. The last significant adjustment caused by this review amounted to approximately \$50,000 in the Patrol's favor. The error was machine caused. The Patrol feels that this approach has a greater payoff than relying solely on a first line supervisor's review of telephone billing detail.

The Patrol does rely on its first line supervisors to observe daily telephone usage and to take any corrective action. Appropriate corrective action is taken if ATSS misuse is identified including collection of monies owed by employees.

Both Departments have prepared action plans in response to the report. The plans are available for your review if you so desire.

Sincerely,



KIRK WEST
Secretary

cc: J. E. Smith
D. Shields
G. Burleson
P. Reames
Director Pend



1515 K STREET, SUITE 511
SACRAMENTO 95814
(916) 445-9555

November 26, 1984

Thomas W. Hayes, Auditor General
State of California
Office of the Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Hayes:

STATEWIDE TELECOMMUNICATIONS AUDIT

The Department of Justice (DOJ) has reviewed a draft copy of your report entitled "Accounting for Telecommunication Costs, Verifying Telephone Service Charges, and Preventing Personal Telephone Calls." In our opinion, the report accurately reflects the current practices of the DOJ and we concur with the findings and recommendations presented in regard to our operations.


As a result of the review, the Department has established a special project team, headed by our Chief Accounting Officer, to develop and implement corrective actions in order that the above referenced recommendations be adopted. This will include specific policy and procedure for each of the major areas discussed in the report. It is anticipated, at this time, that implementation of new policies and procedures will take place prior to December 31, 1984.

The report has clearly identified a need for improved coordination and management of telecommunication costs not only in the DOJ but statewide. In order to fully achieve this objective, we are, in addition to the above, reviewing our internal organization to consider alternatives that may improve overall effectiveness. Further, we plan to participate actively in cooperative efforts with the Department of Finance and the Department of General Services to develop uniform accounting methods and training programs to meet this need.

If you wish further information relative to the specifics of our plans, please contact Ms. Ida T. Zodrow, Deputy Director, Administrative Services Division at 324-5454.

Very truly yours,

JOHN K. VAN DE KAMP
Attorney General


NELSON KEMPSKY
Chief Deputy Attorney General

Memorandum

To : Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300

Date : NOV 26 1984

File No.:

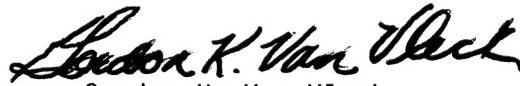
Subject: Audit Report

From : **Office of the Secretary**

We have reviewed the draft of your audit report "Accounting for Telecommunication Costs, Verifying Telephone Service Charges, and Preventing Personal Telephone Calls."

We are pleased that your audit has determined that the California Department of Forestry has established adequate telecommunications managers with real-time data depicting actual telephone system usage. Analysis of this data on a weekly or even daily basis will permit telephone system management to be accomplished on a more direct and timely basis than is presently available using the ATSS invoices.

Installation of the more modern digital telephone systems is being pursued by departments in the Resources Agency.



Gordon K. Van Vleck
Secretary for Resources

cc: Gerald Partain, Director
Department of Forestry



State and Consumer Services Agency

OFFICE OF THE SECRETARY
915 Capitol Mall, Suite 200
Sacramento, CA 95814

(916) 323-9493
TDD: (916) 323-6975

November 20, 1984

Thomas W. Hayes, Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Hayes:

Auditor General's Report P-479.2

We have reviewed Auditor General Report P-479.2 and find it is accurate in its examination and statements as they apply to the Department of General Services. The Department of General Services has informed us of the actions they intend to take to respond to the concerns of the report as they relate to that department.

The Auditor General has recommended that to improve state agencies' control over inappropriate telephone charges and employees' misuse of telephones, the Office of Telecommunications should provide agency staff with training classes that address the following areas:

- Procedures for verifying the accuracy of invoices received from telephone companies; this training should focus particularly on the monthly service charge.
- Procedures for detecting and preventing employees' misuse of state telephones.
- Ways to use the information provided by the Office of Telecommunications to help control telephone costs and telephone misuse.

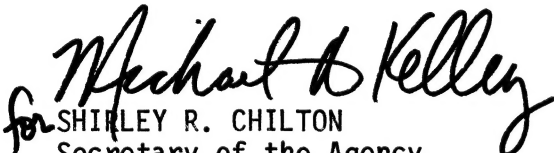
Tom Hayes, Auditor General
November 20, 1984
Page 2

The Department of General Services indicates that in keeping with the goal outlined in the state's strategic telecommunications policy, the Telecommunications Division is attempting to strengthen state telecommunications management totally. This strategy includes:

1. An analysis of telecommunications management needs statewide.
2. A review of the current telecommunications positions within state service.
3. The development of a plan that brings classifications to the need.
4. The establishment of a training course necessary to support the stated objective.

The Telecommunications Division has provided the necessary background information to the Department of General Services' personnel and training offices which are responsible for this program. The suggestions expressed by the Auditor General will be included in the proposed training course.

Sincerely,


for SHIRLEY R. CHILTON
Secretary of the Agency

cc: W. J. Anthony, Director
Department of General Services

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps